

ECONOMY ACT OF 1932 AND
CERTIFICATE OF NECESSITY

"Section 322 - Hereafter no appropriation shall be obligated or expended for the rent of any building or part of a building to be occupied for Government purposes at a rental in excess of the per annum rate of 15 per centum of the fair market value of the rented premises at date of the lease under which the premises are to be occupied by the Government nor for alterations, improvements, and repairs of the rented premises in excess of 25 per centum of the amount of the rent for the first year of the rental term, or for the rental term if less than one year: Provided that the provisions of this section shall not apply to leases heretofore made, except when renewals thereof are made hereafter, nor to leases of premises in foreign countries for the foreign services of the United States."

This law limits the amount the Government may pay in rent for any building (office space and special purpose space). The law also limits the amount which may be paid for "alterations, improvements, and repairs of rented premises". The limitation is as follows:

"Rent" - Not to exceed a per annum rate of 15 percent of the fair market value of the premises.

"Alterations, improvements, and repairs" - Not to exceed 25 percent of the amount of the rent for the first year of the rental term, or for the rental term if less than one year.

The above is contained in a domestic spending bill, and although it is not specifically stated, it is intended to apply to only domestic real estate.

The provisions of this law may be waived by the Director of this Agency under authority granted to him in Section 5 of the Central Intelligence Act of 1949 (PL-110). It may also be waived by the Administrator of the General Services Administration (GSA) and by delegation by the General Services Administration Regional Administrators. However, the DCI's authority has been determined to be nondelegable; consequently, all waivers must bear the signature of either the DCI or the DDCI.

The vehicle for obtaining a waiver is commonly referred to as a "Certificate of Necessity". This is simply a statement, signed by the DCI or DDCI, indicating the vital nature of the waiver; a positive statement that Section 322 of the Economy Act is therefore being waived, and a reference to the authority (PL-110) for the waiver.